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ENERGY HOLDINGS LLC, and MACPHERSON OIL
COMPANY

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF ALAMEDA

CENTER FOR BIOLOGICAL
DIVERSITY, and SIERRA CLUB, non-
profit corporations,

Petitioners,

vs.

CALIFORNIA DEPARTMENT OF
CONSERVATION, DIVISION OF OIL,
GAS, AND GEOTHERMAL
RESOURCES; and DOES 1 through 20,
inclusive,

Respondents.

AERA ENERGY LLC, BERRY
PETROLEUM COMPANY LLC,
CALIFORNIA RESOURCES
CORPORATION, CHEVRON U.S.A.
INC., FREEPORT-MCMORAN OIL &
GAS LLC, LINN ENERGY HOLDINGS
LLC, and MACPHERSON OIL
COMPANY,

Respondents-in-Intervention.

Case No. RG15769302

Assigned for all purposes to the Hon. Robert B.
Freedman, Dept. 20

**DECLARATION OF GARY PIRON IN
SUPPORT OF OPPOSITION TO MOTION
FOR PRELIMINARY INJUNCTION BY
AERA ENERGY LLC, BERRY
PETROLEUM COMPANY LLC,
CALIFORNIA RESOURCES
CORPORATION, CHEVRON U.S.A. INC.,
FREEPORT-MCMORAN OIL & GAS LLC,
LINN ENERGY HOLDINGS LLC, AND
MACPHERSON OIL COMPANY**

*[Opposition to Motion for Preliminary
Injunction and Declarations, filed concurrently;
Proposed Order, lodged concurrently]*

Date: July 2, 2015
Time: 9:00 a.m.
Dept.: 17

Action Filed: May 7, 2015
Trial Date: None set

1 I, Gary Piron, declare:

2 1. I am the Kern River Field Area Manager at Chevron U.S.A. Inc. ("CUSA"). As such, I
3 am familiar with the oil and gas operations of CUSA, including underground injection well operations.
4 I manage operations at the Kern River oil field in Bakersfield, California, and am familiar with CUSA's
5 operations at other oil fields in various locations in California. I make this declaration in support of
6 Intervener's Opposition to Petitioners' Motion for Preliminary Injunction. I have personal knowledge
7 of the facts set forth in this declaration, except where otherwise indicated, and if called to testify, I could
8 and would competently testify to them.

9 2. CUSA engages in substantial oil and gas production in California. CUSA is one of the
10 leading producers of oil and gas in California, with 2014 average net daily oil-equivalent production of
11 163,000 barrels of crude oil, 66 million cubic feet of natural gas, and 3,000 barrels of natural gas
12 liquids.

13 3. CUSA employs approximately 1,680 employees in California as part of its oil and gas
14 operations. CUSA also works with nearly 1,400 suppliers/vendors, who in turn employ approximately
15 7,400 workers, to support Chevron's oil and gas operations in California.

16 4. As part of its substantial oil and gas operations, CUSA and its predecessors have
17 operated injection wells for disposal and enhanced oil recovery well operations for more than 50 years.

18 5. CUSA has a property interest in continued oil and gas production supported by
19 underground injection activities. CUSA's underground injection activities are necessary for oil and gas
20 production at Kern River, San Ardo, Cymric, Lost Hills, Midway-Sunset and McKittrick oil fields.
21 Without these underground injection wells, CUSA would have to cease significant oil and gas
22 operations in California, including at Kern River, San Ardo, Cymric, Lost Hills, Midway-Sunset, and
23 McKittrick oil fields.

24 6. In California, Class II injection wells are regulated by the Department of Conservation,
25 Division of Oil, Gas, and Geothermal Resources ("DOGGR") pursuant to a Memorandum of
26 Agreement ("primacy agreement") between DOGGR and the U.S. Environmental Protection Agency
27 ("EPA"). Under the primacy agreement, DOGGR is tasked with ensuring that potential underground
28 sources of drinking water are protected in compliance with the federal Safe Drinking Water Act

1 ("SDWA"). CUSA and its predecessors have operated Class II injection wells under permits issued by
2 DOGGR since DOGGR was granted primacy.

3 7. CUSA has always operated its Class II injection wells in accordance with the permit
4 conditions established by DOGGR. CUSA has never been subject to an enforcement order from
5 DOGGR for contamination of drinking water supplies caused by underground injection activities.

6 8. Since 1983, when DOGGR acquired primacy over the UIC program, DOGGR has been
7 approving certain Class II underground injection projects with the understanding that the boundaries for
8 aquifers exempt by U.S. EPA were adjusted as the productive limits of the field were revised based on
9 updated geologic information. Additionally, conflicting versions of the operative primacy agreement
10 between DOGGR and U.S. EPA led to confusion over whether 11 aquifers in California had been
11 formally exempted by U.S. EPA. While an initial version of the primacy agreement did not list the 11
12 exempted aquifers, a subsequent version of the primacy agreement exempted the 11 aquifers. This
13 subsequent primacy agreement has been the basis for DOGGR's regulation of Class II injection wells
14 since 1983, and U.S. EPA even wrote a letter to industry associations in 1985 clarifying which aquifers
15 were exempt by attaching the list of exempted aquifers from the subsequent primacy agreement.
16 Regardless, DOGGR only approved projects that met the agency's strict criteria for demonstrating the
17 injection would not "endanger" potential sources of drinking water pursuant to the SDWA.

18 9. On April 2, 2015, DOGGR promulgated its emergency Aquifer Exemption Compliance
19 Schedule Regulations. The regulations were the culmination of extensive discussions and an agreement
20 between U.S. EPA, DOGGR, and the State Water Resources Control Board ("SWRCB") on an
21 approved plan to allow U.S. EPA and the SWRCB an opportunity to review "non-endangerment"
22 determinations made by DOGGR since acquiring primacy. DOGGR has acknowledged that in nearly
23 all cases, the injection is occurring in hydrocarbon-bearing reservoirs where no potentially viable
24 sources of drinking water exist.

25 10. Pursuant to negotiations with the U.S. EPA, DOGGR has undertaken a review process to
26 determine UIC projects that have previously been permitted in (1) the 11 aquifers that have been
27 historically treated as exempt by DOGGR and U.S. EPA, and (2) aquifers within productive boundary
28 zones. DOGGR has defined these aquifers as "non-exempt," even though the aquifers have been

historically treated as exempt and their current status is disputed.

11. According to a letter from DOGGR to U.S. EPA on February 6, 2015, the review examines three categories of wells: Category 1, "Class II water disposal wells injecting into non-exempt, non-hydrocarbon-bearing aquifers or aquifers historically treated as exempt"; Category 2, "Class II enhanced oil recovery (EOR) wells injecting into non-exempt, hydrocarbon-bearing aquifers"; and Category 3, "Class II water disposal and EOR wells that are inside surface boundaries of exempted waters, but that may nevertheless be injecting into a zone not exempted in the primacy agreement." The review covers over 30,000 Class II injection wells. As of May 15, 2015, DOGGR has completed an initial review of Category 1 wells, while review of Category 2 and Category 3 will be completed in early 2016.

12. On February 6, 2015, shortly before promulgating its emergency Aquifer Exemption Compliance Schedule Regulations, DOGGR disclosed a list of 2,553 wells injecting into aquifers purportedly lacking exemptions. The list included review of Category 1 and Category 2 wells. DOGGR identified 532 water disposal wells and 2,021 enhanced oil recovery wells.

13. CUSA owns/operates 262 of the Category 2 enhanced oil recovery wells identified by DOGGR.

14. On May 15, 2015, DOGGR announced an update to its list of wells injecting into aquifers purportedly lacking exemptions. DOGGR identified approximately 3,600 cyclic steam wells—a type of enhanced oil recovery well—that are not associated with a permitted injection project.

15. CUSA owns/operates 67 of the Category 1 water disposal wells identified by DOGGR.

16. CUSA owns/operates 1,384 of the steam wells identified by DOGGR as not associated with a permitted injection project.

17. CUSA believes that a majority of CUSA's wells have been incorrectly identified by DOGGR. CUSA is reviewing the list of wells identified by DOGGR and is providing input to DOGGR accordingly.

18. On May 7, 2015, the Center for Biological Diversity and the Sierra Club (collectively, "Petitioners") filed their Complaint for Declaratory and Injunctive Relief and Verified Petition for Writ of Mandate ("Petition") against DOGGR. Petitioners seek declaratory relief voiding the Aquifer

1 Exemption Compliance Schedule Regulations promulgated and implemented by DOGGR, injunctive
2 relief rescinding the Aquifer Exemption Compliance Schedule Regulations, and a writ of mandate
3 compelling DOGGR to prohibit Class II well injections into aquifers purportedly lacking exemptions.
4 (Petition at p. 16, ¶¶ 1-7.)

5 19. On May 14, 2015, Petitioners filed their Motion for Preliminary Injunction. The Motion
6 for Preliminary Injunction asks this Court to order DOGGR to immediately prohibit underground
7 injection into aquifers purportedly lacking exemptions. (Motion at pp. 1:28-2-9; Proposed Order.)

8 20. If granted, the Motion for Preliminary Injunction would cause direct, immediate, and
9 significant economic harm to CUSA. The broad effect of the injunction proposed by Petitioners would
10 be exponentially magnified by the abrupt nature its imposition. The injunction would require the
11 shutdown of other wells, facilities, and operations associated with injection activities.

12 21. CUSA has made substantial capital investments in the underground injection wells
13 targeted for prohibition by the Motion for Preliminary Injunction.

14 22. If the Motion for Preliminary Injunction is granted, CUSA would be forced to endure a
15 severe draw down in oil production, which would result in significant economic harm during the period
16 of time the injunction would be in effect. The direct and indirect consequences of the preliminary
17 injunction would result in an immediate loss of approximately 41,000 barrels of oil per day or 26% of
18 its total production.

19 I declare under penalty of perjury under the laws of the State of California that the foregoing is
20 true and correct.

21 Executed on June 19, 2015 in Bakersfield, California.

22 By: 
23 Gary Piron